



## E. Subsidy Expense for Direct Loans by Program and Component (Credit Reform Loans)

(Dollars in Thousands)

Total credit subsidy expense consists of the credit subsidy expense of direct loans disbursed during the year plus the reestimate of the credit subsidy cost. The following tables show total direct loan subsidy expense by program and component for direct loans disbursed in FY 2004 and FY 2003 and for reestimates of loans disbursed in prior years.

Direct Loan Program	Subsidy Expense for New Direct Loans Disbursed in FY 2004					Reestimates FY 2004	Total Direct Loan Subsidy Expense FY 2004
	Interest	Defaults	Fees	Other	Total Subsidy Expense	Technical Reestimate	
(1)Business	\$ 2,233	\$ 55	\$	\$	\$ 2,288	\$ 27,935	\$ 30,223
(2)Disaster	19,457	39,169	(283)	(504)	57,839	55,474	113,313
<b>Total</b>	<b>\$21,690</b>	<b>\$ 39,224</b>	<b>\$ (283)</b>	<b>\$ (504)</b>	<b>\$ 60,127</b>	<b>\$83,409</b>	<b>\$ 143,536</b>

Direct Loan Program	Subsidy Expense for New Direct Loans Disbursed in FY 2003					Restated Reestimates FY 2003	Total Direct Loan Subsidy Expense FY 2003
	Interest	Defaults	Fees	Other	Total Subsidy Expense	Technical Reestimate	
(1)Business	\$ 2,281	\$ 74	\$	\$	\$ 2,355	\$ 1,393	\$ 3,748
(2)Disaster	47,955	60,693	(6,711)	5,640	107,577	363,283	470,860
<b>Total</b>	<b>\$50,236</b>	<b>\$60,767</b>	<b>\$(6,711)</b>	<b>\$ 5,640</b>	<b>\$ 109,932</b>	<b>\$ 364,676</b>	<b>\$ 474,608</b>

## F. Subsidy Rates for Direct Loans by Program and Component for the Current Year's Cohorts

The Disaster loan program comprised the lion's share of SBA's direct loans approved and disbursed in FY 2004. The cost of the Disaster direct loan program is affected by the original terms of the loan, such as below-market interest rates, grace periods and average loan size, as well as deviations from the original terms caused by estimated prepayments, defaults, delinquencies, charge-offs, and recoveries. The Disaster loan default rate is 8.56% of dollars disbursed and recoveries are expected to be 39.0% of the default dollars.

### FY 2004

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<u>Loan Program</u>	<u>Interest Differential</u>	<u>Defaults</u>	<u>Fees</u>	<u>Other</u>	<u>Total</u>
(1) Business	9.34%	0.21%	0.00%	0.00%	<b>9.55%</b>
(2) Disaster	3.29%	8.56%	0.00%	(0.13%)	<b>11.72%</b>



## G. Schedule for Reconciling Subsidy Cost Allowance Balances

(Dollars in Thousands)

The following reconciles the subsidy cost allowance for direct loans and loan guarantees.

	(Post-1991 Direct Business)		(Post-1991 Direct Disaster)	
	<u>FY 2004</u>	<u>Restated FY 2003</u>	<u>FY 2004</u>	<u>Restated FY 2003</u>
Beginning Balance of the				
Subsidy Cost Allowance	\$14,504	\$12,493	\$630,907	\$446,318
Add: Current Year Subsidy				
Expense by Component				
Interest Rate Differential Cost	2,233	2,281	19,457	47,955
Default Costs	55	74	39,169	60,693
(Net of Recoveries)				
Fees and Other Collections			(283)	(6,711)
Other Subsidy Costs			(504)	5,640
<b>Total of the Above Subsidy</b>				
<b>    Expense Components</b>	2,288	2,355	57,839	107,577
Adjustments:				
Loans Written Off	(106)	(331)	(53,441)	(143,195)
Subsidy Allowance				
Amortization	(1,663)	(3,662)	(77,500)	(152,180)
Other Adjustments:				
Deferred Interest Adjustment		1,181		5,837
Restatement Subsidy				
Prior Period Adjustment		1,075		3,267
<b>Balance of the Subsidy Cost</b>				
<b>    Allowance Before Reestimates</b>	15,023	13,111	557,805	267,624
Add or Subtract Subsidy				
Reestimates by Component:				
(a) Interest Rate Reestimate				
(b) Technical/default				
Reestimate	27,935	1,393	55,474	363,283
Total of the Above Reestimate				
Components	27,935	1,393	55,474	363,283
<b>Ending Balance of the Subsidy</b>				
<b>    Cost Allowance</b>	<u>\$42,958</u>	<u>\$14,504</u>	<u>\$613,279</u>	<u>\$630,907</u>

**(Post – 1991 Guarantee Business)**

	<b><u>FY 2004</u></b>	<b><u>Restated FY 2003</u></b>
Beginning Balance of the Subsidy Cost Allowance	\$1,791,958	\$526,444
Adjustment Related to the Purchase of Guaranteed Loans	<u>1,054,774</u>	<u>1,265,514</u>
<b>Ending Balance of the Subsidy Cost Allowance Before Reestimates</b>	<b><u>\$2,846,732</u></b>	<b><u>\$1,791,958</u></b>



## H. Defaulted Guaranteed Loans from Pre-1992 Guarantees

(Dollars in Thousands)

The Liquidating Loan Guarantee Receivables net consist of the following:

	FY 2004		
<b>Liquidating Loan Guarantee Programs:</b>	<b>Business</b>	<b>Pollution</b>	<b>Total</b>
Defaulted Guaranteed Loans Receivable Gross	\$199,753	\$48,232	<b>\$247,985</b>
Interest Receivable	(2,366)	459	<b>(1,907)</b>
Allowance for Loan Losses	(61,268)	(32,598)	<b>(93,866)</b>
Foreclosed Property	<u>825</u>	<u></u>	<u><b>825</b></u>
<b>Defaulted Guaranteed Loans Receivable, Net</b>	<u><b>\$136,944</b></u>	<u><b>\$16,093</b></u>	<u><b>\$153,037</b></u>

## I. Defaulted Guaranteed Loans from Post-1991 Guarantees

(Dollars in Thousands)

The Credit Reform Loan Guarantee Receivables net consist of the following:

	FY 2004
<b>Credit Reform Loan Guarantee Program</b>	<b>Business</b>
Defaulted Guaranteed Loans Receivable, Gross	\$2,925,127
Advances	554,977
Interest Receivable	11,996
Foreclosed Property	6,294
Allowance for Subsidy Cost (Present Value)	<u>(2,846,732)</u>
<b>Net Present Value of Assets Related to Defaulted Guaranteed Loans Receivable</b>	<u><b>\$651,662</b></u>

**J. Credit Program Receivables and Related Foreclosed Property**

(Dollars in Thousands)

The following is a Summary of Notes 6B, 6C, 6H and 6I for the current FY:

	<b><u>FY 2004</u></b>
Direct Loans Obligated Prior to FY 1992	\$73,038
Direct Loans Obligated After FY 1991	2,535,507
Defaulted Guaranteed Loans from Pre-1992 Guarantees	153,037
Defaulted Guaranteed Loans from Post 1991 Guarantees	<u>651,662</u>
<b>Credit Program Receivables and Related Foreclosed Property</b>	<b><u>\$3,413,244</u></b>

The FY 2004 foreclosed property referred to in Parts B, C, H, and I is comprised of \$13 million of real estate on 48 loans and \$418 thousand of other property on 10 loans. The average number of days the foreclosed property was held by the SBA was 723 days. For FY 2003 there was \$19.9 million of real estate outstanding on 65 loans and \$1.2 million of other property outstanding on 18 loans.



## K. Guaranteed Loans

(Dollars in Thousands)

The SBA maintains records of the amount of guaranteed loans outstanding as of the reporting date. The amount of SBA's 7(a) guaranteed loans outstanding, however, is obtained from reports submitted by participating lenders as of the end of the prior month (August 2004). The amount of 7(a) guarantees reported is \$49.6 billion of the total guarantees of \$67.5 billion at September 30, 2004. Guaranteed loans outstanding and the share guaranteed by SBA follow:

### Guaranteed Loans Outstanding

Loan Programs	FY 2004		
	Business	Pollution	Total
Outstanding Principal, Guaranteed Loans Receivable, Face Value	\$67,493,467	5,803	\$67,499,270
Amount of Outstanding Principal Guaranteed by SBA	\$56,441,604	5,803	\$56,447,407

Loan Programs	Restated FY 2003		
	Business	Pollution	Total
Outstanding Principal, Guaranteed Loans Receivable, Face Value	\$63,641,745	9,874	\$63,651,619
Amount of Outstanding Principal Guaranteed by SBA	\$53,376,310	9,874	\$53,386,184

Guaranteed loans disbursed and the share guaranteed by SBA follows:

### New Guarantee Loans Disbursed

	FY 2004	FY 2003
	Business	Business
Outstanding Disbursed Principal, Guaranteed Loans Receivable, Face Value	\$15,267,177	\$13,182,813
Amount of Outstanding Disbursed Principal Guaranteed by SBA	\$12,128,578	\$10,493,400

**L. Liability for Loan Guarantees:**

(Dollars in Thousands)

The liability for post-1991 loan guarantees represents the present value of future estimated cash outflows from SBA, net of inflows, such as fees.

The liability for pre-1992 loan guarantees represents the estimated loss for loans that are projected to default.

	<b>Business Loan Programs</b>	
	<b><u>FY 2004</u></b>	<b><u>Restated FY 2003</u></b>
Liabilities for Loan Guarantees for Pre-1992 Guarantees	\$6,324	\$5,465
Liabilities for Loan Guarantees for Post-1991 Guarantees (Present Value)	<u>\$2,517,728</u>	<u>\$2,536,065</u>
<b>Total Liabilities for Loan Guarantees</b>	<b><u>\$2,524,052</u></b>	<b><u>\$2,541,530</u></b>





## M. Subsidy Expense for Post-1991 Loan Guarantees by Program and Component

(Dollars in Thousands)

Total credit subsidy expense consists of the credit subsidy expense of guaranteed loans disbursed during the year plus the reestimate of the credit subsidy cost of guaranteed loans committed and disbursed in prior years. The following tables show total loan guarantee subsidy expense by program and component for guarantee loans disbursed in FY 2004 and FY 2003 and for reestimates of guaranteed loans committed in prior years.

Loan Guarantee Program	Subsidy Expense for New Loan Guarantees Disbursed in FY 2004				Reestimates FY 2004	Total Loan Guarantee Subsidy Expense FY 2004
	Defaults	Fees	Other	Total Subsidy Expense	Technical Reestimate	
Business	\$420,817	\$(309,146)	\$(5,077)	\$106,594	\$744,547	\$ 851,141

Loan Guarantee Program	Subsidy Expense for New Loan Guarantees Disbursed in FY 2003				Restated Reestimates FY 2003	Total Loan Guarantee Subsidy Expense FY 2003
	Defaults	Fees	Other	Total Subsidy Expense	Technical Reestimate	
Business	\$398,266	\$(275,806)	\$(8,644)	\$113,816	\$2,551,215	\$ 2,665,031

## N. Subsidy Rates for Loan Guarantees by Program and Component

### Budget Subsidy Rates for Loan Guarantee for the Current Year's Cohorts

The following table shows the credit subsidy rates by component and by program for loan guarantees committed in the FY 2004 cohort.

The subsidy rate for the several 7(a) programs is principally affected by estimated fees, defaults or purchases, and recoveries. The annual fee was raised and other program changes were made on April 5, 2004, which lowered the subsidy rate for the program for the remainder of the year.

In 2001 legislation was enacted allowing the fee on the SBIC Participating Securities program and the SBIC Debentures program to adjust every year in order to reach a subsidy rate of zero. Once established, these fees remain the same for the life of each cohort. In the SBIC Participating Securities program, SBA pays the interest to the holders of securities during the term of the security.

Per OMB requirements, subsidy rates are established during the budget formulation period which is about one year prior to budget execution. Subsequent information that may impact the estimates, such as changes in forecast defaults and recoveries, is incorporated through the reestimate process. Since the establishment of the FY 2004 subsidy rates at the end of FY 2002, SBA has substantially revised its expectations for defaults, recoveries, and other cash flows for the SBIC Participating Securities program. Therefore, the reestimated subsidy rate for the FY 2004 cohort is substantially higher than the execution rate shown below. Each year SBA will continue to update its subsidy cost estimates by incorporating actual program performance and the latest available forecast information.

#### FY 2004

<b>Loan Guarantee Program</b>	<b>Interest Supplements</b>	<b>Defaults</b>	<b>Fees</b>	<b>Other</b>	<b>Total</b>
<b>Business</b>					
7(a)		3.46%	(2.40%)		1.06%
7(a) (eff. 04/05/04)		3.44%	(2.86%)		0.58%
7(a) NAFTA (CAIP)		3.46%	(2.40%)		1.06%
7(a) Star		3.46%	(2.40%)		1.06%
7(a) Delta		3.96%	(2.40%)		1.56%
504 Debentures		2.54%	(5.53%)	2.99%	0.00%
504 Delta		2.92%	(5.50%)	3.44%	0.86%
SBIC Debentures		9.60%	(3.08%)	(6.52%)	0.00%
SBIC Participating Securities Program		6.82%	(3.07%)	(3.75%)	0.00%
SBIC New Markets		16.05%		0.00%	16.05%
Microloan		1.87%		6.79%	8.66%



# **O. Schedule for Reconciling Loan Guarantee Liability Balances** **(Post – 1991 Business Loan Guarantees)**

(Dollars in Thousands)

The following reconciles the liability for Credit Reform Loan Guarantees:

	<b>FY 2004</b>	<b>Restated FY 2003</b>
Beginning Balance of the Loan Guarantee Liability	\$2,536,065	\$1,233,403
Add: Subsidy Expense for Guarantee Loans		
Disbursed During the Reporting Years by		
Component:		
Default Costs (net of recoveries)	420,817	398,266
Fees and Other Collections	(309,146)	(275,806)
Other Subsidy Costs	(5,077)	(8,644)
<b>Total of the Above Subsidy Expense Components</b>	<b>106,594</b>	<b>113,816</b>
Loans Written Off	(413,074)	(521,742)
Amortization of Subsidy	592,323	576,762
Restatement Subsidy		(175,937)
Adjustment Related to the Purchase of Guarantee Loans	(1,054,773)	(1,265,515)
Deferred Interest Accounting Adjustment		25,178
Other	6,046	(1,115)
<b>Ending Balance of the Loan Guarantee Liability</b>		
<b>Before Reestimates</b>	1,773,181	(15,150)
Add or Subtract Subsidy Reestimate by Component:		
Technical / Default Reestimate	744,547	2,551,215
<b>Ending Balance of the Loan Guarantee Liability</b>	<b>\$2,517,728</b>	<b>\$2,536,065</b>

**P. Administrative Expense**

(Dollars in Thousands)

Administrative expenses for direct business and disaster loans, and business loan guarantees are as follows:

**FY 2004**

<b>Direct Loan</b>		<b>Loan Guarantee</b>	
<b><u>Programs</u></b>	<b><u>Total</u></b>	<b><u>Program</u></b>	<b><u>Total</u></b>
(1) Business	\$26,073	(1) Business	<u><u>\$104,291</u></u>
(2) Disaster	<u>124,425</u>		
<b>Total</b>	<b><u><u>\$150,498</u></u></b>		



## **Q. Other Information**

For pre-1992 business loans, SBA's share of outstanding gross amounts guaranteed is \$466.9 million of \$531.2 million for the current year and \$653.7 million of \$742.5 million for the prior year. For Pollution Control Equipment Contract Guarantee Fund, the outstanding guarantees total \$5.8 million for the current year and \$9.9 million for the prior year. This amount is both gross and Agency share. For post-1991 loans, the gross amount guaranteed for business loans is \$66.9 billion for the current year and \$62.9 billion for the prior year. The Agency's share is \$55.9 billion for the current year and \$52.7 billion for the prior year.

The SBA has outstanding loan commitments of \$15.4 billion for the current year, and \$10.5 billion for the prior year\_end. These figures are comprised entirely of post-1991 commitments.

## **R. Credit Program Subsidy Reestimates**

The purpose of credit subsidy reestimates is to match the net resources for each loan cohort in the financing account with the remaining discounted expected cash flows of that cohort. Credit subsidy reestimates result from: (1) variations between actual and estimated cash flows during the year, including prepayments, defaults or purchases, and recoveries; (2) changes in expectations about future cash flows; (3) changes in the estimated discount rate; and (4) changes in the financial modeling techniques used to approximate the expected performance of a loan cohort. In addition, reestimates may be affected by the approach used to develop them.

OMB Circular A-11, which guides the credit subsidy reestimate process, authorizes agencies to use either the “traditional approach” or the “balances approach” to reestimates. The traditional approach bases reestimates on both actual past and estimated future loan cash flows, whereas the balances approach compares the balances of resources in the financing account (cash, other assets and liabilities) with estimated future loan cash flows to assess whether resources are insufficient (requiring an upward reestimate) or in excess (requiring a downward reestimate). Thus the balances approach goes one step beyond the traditional approach by incorporating cohort-level account balance, in addition to loan-level transactional data, directly into the reestimate calculation. The SBA has historically used the traditional approach to develop credit subsidy reestimates. This year, SBA used the balances approach to prepare the FY 2004 reestimates and restate the FY 2003 reestimates.

Both reestimate approaches will yield similar results, so long as the balance of resources in each program cohort is consistent with actual past loan cash flows for that program cohort, including Treasury interest, and all assumptions in the subsidy models match the actual transactions in the account. For many of SBA’s earlier cohorts, however, the balance of resources was not consistent with past activity, due to incorrect recordation of transactions across sub-programs in the early years of credit reform. For these cohorts, the balances approach reestimates have adjusted the balance of resources to correct for these past recordation errors. These recordation errors affected the recording of activity at the sub-program and cohort level only; they did not affect the recording of activity at the loan transaction level or the fund level.

The balances approach also corrected for discrepancies in the interest transactions with Treasury that affected the fund level. Unlike the traditional approach, the balances approach adjusts for differences between estimated and actual interest paid to or earned from Treasury.

Because the reestimate approach has changed since last year and eliminates previous discrepancies that affected the fund level, the FY 2003 financial statements have been restated for the revised reestimates.

### **Guarantee Loan Programs**

The following table shows the credit subsidy reestimates for SBA’s guaranteed loans by program in FY 2004 and as restated in FY 2003.

**Guaranteed Loan Programs Subsidy Reestimates**

(Dollars in Thousands)

<b>Guaranteed Loan Programs</b>	<b>2004 Reestimates</b>	<b>2003 Reestimates Restated</b>
7(a)	\$41,413	\$344,317
7(a) STAR	(130)	(30,905)
504 Debentures	(112,278)	132,510
SBIC Debentures	56,521	41,077
SBIC Participating Securities	718,953	1,978,701
Secondary Market Guarantees	(4,287)	188,863
<b>Total</b>	<b>\$700,192</b>	<b>\$2,654,563</b>

The largest reestimate in FY 2004 and FY 2003 was for the SBIC Participating Securities Program. This program provides equity financing to the venture capital industry, which has experienced a substantial economic downturn in recent years. The downturn has increased actual and expected defaults and reduced actual and expected recoveries in this program. The SBIC Debentures Program, which finances less risky subordinated debt to the venture capital industry, was also impacted by the downturn in this industry but to a lesser extent. FY 2003 results have been restated for the revised reestimates using these revised assumptions with the balances approach.

The reestimate in the 7(a) Program reflects program changes as well as a model correction, which increased the estimated purchase of accrued interest net of recoveries. This new model was used for both the FY 2004 and the restated FY 2003 reestimates with the balances approach. The continued growth in the volume of SBA 7(a) Express loans, which have a lower default risk, is the primary program change that also impacted the FY 2004 and FY 2003 reestimates restated.

In FY 2004 SBA created a new econometric model for estimating and reestimating subsidy costs in the 504 Debentures Program. It also increased the estimated recovery rate for this program. This new model was used for both the FY 2004 and the restated FY 2003 reestimates with the balances approach.

The reestimate for the Secondary Market Guarantee Program is primarily affected by differences in the actual versus the estimated spread between the Treasury Rates and the prime rate. The FY 2003 reestimate has been restated using a revised model that more accurately reflects estimated short-term interest earnings. Both the FY 2004 and the restated FY 2003 reestimates used the balances approach.

**Direct Loan Programs**

The following table shows the credit subsidy reestimates for SBA's Disaster Loan Programs in FY 2004 and as restated in FY 2003.

**Disaster Direct Loan Subsidy Reestimates**  
(Dollars in Thousands)

<b>Direct Loan Programs</b>	<b>2004 Reestimates</b>	<b>2003 Reestimates Restated</b>
Disaster	\$62,001	\$1,205,946
Disaster - WTCP	(19,296)	
<b>Total</b>	<b>\$42,705</b>	<b>\$1,205,946</b>

In FY 2003 SBA implemented a new micro-simulation model to reestimate the subsidy cost of its Disaster Loan Program. In addition, SBA separately modeled the World Trade Center Program (WTCP) Disaster loans and regular Disaster Assistance loans to account for substantial differences in the terms under which loans were made.

The FY 2003 restatement includes updated reestimates for all cohorts of regular Disaster Assistance loans, mainly for the effect of model changes on loan activity prior to FY 2004. FY 2003 reestimates were not made for the WTCP loans; an FY 2003 restatement was not prepared because that model has not changed since last year.

The FY 2004 reestimates show the effect of activity in FY 2004. For Regular Disaster Assistance loans, the total amount of reestimates is due mainly to the initial reestimate of the FY 2003 cohort and a correction for the interest charged during FY 2002 and FY 2003. The interest correction is to reimburse Regular Disaster for interest that should have been charged to WTCP and to adjust the interest rate used in disbursement of the FY 2002 Regular Disaster cohort. For WTCP loans, reestimates of the 2002 and 2003 cohorts were made for the first time in FY 2004. FY 2004 reestimates do not include the FY 2004 cohort because sufficient data about the loan characteristics was not available at the time reestimates were made. Disaster loan installment repayment is deferred six months after disbursement, resulting in a lack of repayment activity for the current year cohort. WTCP reestimates also include a correction for the interest not charged during FY 2002 and FY 2003 (that was improperly charged to Regular Disaster), and also to adjust the interest rate used in disbursement of the FY 2002 WTCP cohort.

Reestimates for these programs used the balances approach.





## S. Loan Asset Sales

From FY 1999 to FY 2003 SBA completed seven loan asset sales. An additional sale (Sale #8) was planned but was subsequently cancelled. Disaster, 7(a), 504, and other loans were sold over the course of the program. Through the completion of Asset Sale #7 in early FY 2003, SBA's cost models showed that the asset sales resulted in a net gain to the government. However, during FY 2003, SBA determined that its previous estimation methodology was not accurate. A new loan sale model was developed, which found Asset Sale #7 resulted in an estimated loss to the government of \$81 million. The new model showed that SBA had incurred losses on its previous six loan sales as well. Based on these findings, Asset Sale #8 was cancelled, but \$17 million in expenses had already been incurred. These expenses were applied as a reduction in proceeds on Asset Sale #7. No asset sales have been planned or executed since Sale #8 was cancelled.

<b>Gain/Loss by Asset Sale</b>			
<b>In FY 2003</b>			
<b>(Dollars in Millions)</b>			
	<b>Sale 7</b>	<b>Sale 8</b>	<b>FY</b>
	<b>Dec-02</b>	<b>(expenses)</b>	<b>2003</b>
			<b>Total</b>
<b>7a</b>	\$ (7)	\$ (1)	<b>\$ (8)</b>
<b>Disaster</b>	(79)	(15)	<b>(94)</b>
<b>504</b>	5	(1)	<b>4</b>
<b>Total</b>	<b>\$ (81)</b>	<b>\$ (17)</b>	<b>\$ (98)</b>

**Note 7. Equipment and Internal Use Software**

(Dollars in Thousands)

Capitalized Internal Use Software consisted of the following at the end of FY 2004 and 2003:

**FY 2004**

<b><u>Major Classes</u></b>	<b><u>Cost</u></b>	<b><u>Amortization</u></b>	<b><u>Net Book Value</u></b>
Internal Use Software in Development	\$18,829	\$	\$18,829
Internal Use Software	<u>9,573</u>	<u>(8,613)</u>	<u>960</u>
<b>Total</b>	<b><u>\$28,402</u></b>	<b><u>\$(8,613)</u></b>	<b><u>\$19,789</u></b>

**FY 2003**

<b><u>Major Classes</u></b>	<b><u>Cost</u></b>	<b><u>Amortization</u></b>	<b><u>Net Book Value</u></b>
Internal Use Software in Development	\$4,870	\$	\$4,870
Internal Use Software	<u>9,191</u>	<u>(5,539)</u>	<u>3,652</u>
<b>Total</b>	<b><u>\$14,061</u></b>	<b><u>\$(5,539)</u></b>	<b><u>\$8,522</u></b>

Statement of Federal Financial Accounting Standard No. 6 defines property, plant and equipment (PP&E) as tangible assets that (1) have an estimated useful life of 2 or more years, (2) are not intended for sale in the ordinary course of the business, and (3) are intended to be used or available for use by the entity.

The SBA has established an individual item threshold amount of \$50,000 for PP&E. The SBA does not own any PP&E that meets this capitalization threshold.

The SBA does not have any restrictions on the use of its capitalized internal use software. The SBA's threshold for internal use software capitalization is \$250,000 per item with a useful life of more than 2 years.



## Note 8. Advances

(Dollars in Thousands)

Advances consisted of the following at the end of FY 2004 and 2003:

	<b>FY 2004</b>	<b>FY 2003</b>
	<b><u>Intragovernmental</u></b>	<b><u>Intragovernmental</u></b>
Advances to Salary & Expense Fund	\$34,115	\$49,476
Eliminations	<u>(34,115)</u>	<u>(49,476)</u>
<b>Balance Sheet Total</b>	<b><u>\$</u></b>	<b><u>\$</u></b>

Advances from program funds are used to reimburse Salaries and Expenses as they are incurred. These advances from the Business and Disaster Program funds are offset by similar amounts in the Salaries and Expense Fund. These amounts are eliminated in the preparation of consolidated statements.

In FY 2003 SBA reclassified amounts previously considered advances to credit program receivables. These include Advances to Federal Financing Bank - Section 503 Debentures, Advances to Holders of Delinquent Payments - Section 504 Debentures, Advances to Private Investors - Small Business Investment Company (SBIC) Debentures, Advances to Receivers - SBIC Debentures and Loans and Advances Outstanding - SBIC Participating Securities.

## Note 9. Liabilities Not Covered by Budgetary Resources

(Dollars in Thousands)

Liabilities not covered by Budgetary Resources at the end of FY 2004 and 2003 consisted of the following:

	<b><u>FY 2004</u></b>	<b><u>Restated FY 2003</u></b>
<b>Intragovernmental Liabilities, not Covered by Budgetary Resources</b>		
<b>Other</b>		
Unfunded FECA Liability (Note 13)	\$5,488	\$5,707
<b>Total Intragovernmental</b>	\$5,488	\$5,707
 <b>Other Liabilities – Public, Not Covered by Budgetary Resources</b>		
FECA Actuarial Liability (Note 13)	\$28,436	\$31,822
<b>Other</b>		
Prior Liens on Real Estate (Note 14)	\$186	\$1,708
Accrued Unfunded Annual Leave	21,326	21,894
Surety Bond Guarantees	20,032	19,154
Contingent Liability		800
<b>Total Other</b>	<u>\$41,544</u>	<u>\$43,556</u>
 <b>Total Other Liabilities – Public, Not Covered By Budgetary Resources</b>	<u><u>\$69,980</u></u>	<u><u>\$75,378</u></u>

The liability for Prior Liens on Real Estate is attributable to acquired collateral in the Business Loan and Investment and Disaster Loan Funds

The liability for Surety Bond Guarantees is an estimate of the requirement for future claims in the SBG Program for guarantees outstanding at year end.



## Note 10. Accounts Payable

(Dollars in Thousands)

Accounts Payable, displayed by type, consisted of the following at the end of FY 2004 and 2003:

	FY 2004		Restated FY 2003	
	<u>Intra- governmental</u>	<u>Public</u>	<u>Intra- governmental</u>	<u>Public</u>
Disbursements in Transit	\$	\$6,893	\$23	\$11,750
Accrued Interest Payable	10,297		13,700	
Subsidy Payable to Financing	2,114,474		4,642,178	
Other Interfund Payables			27,560	
Refunds Due Borrowers		222		388
Due Subcontractors		160		565
Due Lenders		14,519		15,578
Miscellaneous Payable		12,100	16	21,367
<b>Sub Total Before Eliminations</b>	<b>\$2,124,771</b>	<b>\$33,894</b>	<b>\$4,683,477</b>	<b>\$49,648</b>
Eliminations – Subsidy Payable	(2,114,474)		(4,642,178)	
Eliminations – Interfund Payables			(27,560)	
<b>Balance Sheet Total</b>	<b><u>\$10,297</u></b>	<b><u>\$33,894</u></b>	<b><u>\$13,739</u></b>	<b><u>\$49,648</u></b>

Other interfund payables result from adjustments to cash balances for individual year's appropriations in the Agency's credit programs. SBA's credit program appropriations are received on an annual, multiyear and no-year basis, but the Agency's loan accounting system does not separately account for the use of these appropriation types as new loans and guarantees are processed. Adjustments to general ledger cash balances are therefore made as part of the monthly accounting cycle in order to properly record the use of annual, multi year and no-year appropriations. These amounts are eliminated in the consolidated statements as the adjustments effect intra-agency fund activity and balances.

**Note 11. Debt**

(Dollars in Thousands)

Treasury and Federal Financing Bank intragovernmental debt consisted of the following at the end of FY 2004 and 2003:

**FY 2004**  
**Intragovernmental Debt**

	<u><b>Treasury</b></u>	<u><b>Federal Financing Bank</b></u>	<u><b>Total Intragovernmental Debt</b></u>
<b>Beginning Balance</b>	\$6,626,749	\$79,630	\$6,706,379
<b>New Borrowings</b>	2,203,099		2,203,099
<b>Repayments</b>	(284,147)	(20,740)	(304,887)
<b>Change in Interest Payable</b>		(617)	(617)
<b>Ending Balance</b>	<u><b>\$8,545,701</b></u>	<u><b>\$58,273</b></u>	<u><b>\$8,603,974</b></u>

**FY 2003**  
**Intragovernmental Debt**

	<u><b>Treasury</b></u>	<u><b>Federal Financing Bank</b></u>	<u><b>Total Intragovernmental Debt</b></u>
<b>Beginning Balance</b>	\$11,035,897	\$105,487	\$11,141,384
<b>New Borrowings</b>	1,158,196		1,158,196
<b>Repayments</b>	(5,567,308)	(25,106)	(5,592,414)
<b>Change in Interest Payable</b>	(36)	(751)	(787)
<b>Ending Balance</b>	<u><b>\$6,626,749</b></u>	<u><b>\$79,630</b></u>	<u><b>\$6,706,379</b></u>

Interest payable on debt and receivable on uninvested funds held at Treasury (net) is included in the beginning and ending balances of debt outstanding. The change in net interest payable is shown to obtain the ending debt balance.

Repayment of Treasury borrowings was deferred until 2005 for the Disaster and Business Guarantee funds.



## Note 12. Net Assets of Liquidating Funds Due to Treasury

(Dollars in Thousands)

The Net Assets of Liquidating Funds Due to Treasury consisted of the following at the end of FY 2004 and 2003:

	<u>FY 2004</u>	<u>Restated FY 2003</u>
<b>Liquidating Funds</b>		
Pollution Control Equipment		
Contract Guarantee Fund	\$19,425	\$19,330
Disaster Loan Fund	98,713	105,614
Business Loan and Investment Fund	<u>181,378</u>	<u>282,165</u>
<b>Total Due Treasury</b>	<u><b>\$299,516</b></u>	<u><b>\$407,109</b></u>

Net Assets of Liquidating Funds Due to Treasury are funds returned to Treasury comprised of net assets less liabilities. For FY 2003 the amount due Treasury was included as "Other – Intragovernmental Liabilities" however for FY 2004 SBA is showing the amount as a separate item on the Balance Sheet.

## **Note 13. Federal Employee Compensation Act (FECA) Actuarial Liability**

The Federal Employees Compensation Act (FECA) provides income and medical cost protection to covered Federal civilian employees injured on the job, to employees who have incurred work-related occupational diseases, and to beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases. The FECA program is administered by the U.S. Department of Labor (Labor), which pays valid claims and subsequently seeks reimbursement from the Agency for these paid claims.

The FECA liability consists of two components. The first component is based on actual claims paid by Labor but not yet reimbursed by the Agency. There is generally a two to three year time period between payment by Labor and reimbursement to Labor by the Agency. As a result, the Agency accrues an expense and recognizes a liability for the actual claims paid by Labor that have not been reimbursed by the Agency.

The second component is the estimated actuarial liability for future benefit payments as a result of past events. This liability includes death, disability, medical and miscellaneous costs. Labor determines this component annually, as of September 30, using a method that considers historical benefit payment patterns and a number of economic variables. The projected annual benefit payments are discounted to present value using OMB's economic assumptions including the effects of inflation on the liability. Finally, Labor evaluates the estimated projections to ensure that they are consistent with historical payment patterns and the prior projection of the liability. The FY 2004 liability is \$28.4 million and the FY 2003 liability was \$31.8 million.





## Note 14. Other Liabilities

(Dollars in Thousands)

Other liabilities consisted of the following at the end of FY 2004 and 2003:

.....

	<b><u>Non-Current Liabilities</u></b>	<b><u>FY 2004 Current Liabilities</u></b>	<b><u>Total Liabilities</u></b>
<b>1. Intragovernmental Liabilities-Other</b>			
Payable to Special Receipt Fund	\$	\$556,249	\$556,249
Employment Taxes Payable		1,248	1,248
Unfunded FECA Liability	5,488		5,488
Due Federal Financing Bank	1,575		1,575
Advances from Other Agencies		2,513	2,513
Advances from Program Funds		34,115	34,115
<b>Sub Total before Eliminations</b>	<b><u>\$7,063</u></b>	<b><u>\$594,125</u></b>	<b><u>\$601,188</u></b>
Eliminations		(34,115)	(34,115)
<b>Total Intragovernmental Liabilities – Other</b>	<b><u>\$7,063</u></b>	<b><u>\$560,010</u></b>	<b><u>\$567,073</u></b>
<b>2. Public Liabilities – Other</b>			
Accrued Funded Payroll Benefits	\$	\$11,192	\$11,192
Accrued Grants		46,520	46,520
Accrued Unfunded Annual Leave		21,326	21,326
Suspense Accounts		3,359	3,359
Prior Liens on Real Estate	186		186
Contingent Liabilities-Public	20,032		20,032
<b>Total Other Liabilities – Other</b>	<b><u>\$20,218</u></b>	<b><u>\$82,397</u></b>	<b><u>\$102,615</u></b>

	<b><u>Non-Current Liabilities</u></b>	<b><u>Restated FY 2003 Current Liabilities</u></b>	<b><u>Total Liabilities</u></b>
<b>1. Intragovernmental Liabilities – Other</b>			
Payable to Special Receipt Fund	\$	\$642,596	\$642,596
Employment Taxes Payable		196	196
Unfunded FECA Liability	5,707		5,707
Due Federal Financing Bank	1,855		1,855
Advances from Other Agencies		1,945	1,945
Advances from Program Fund		49,476	49,476
<b>Sub Total before Eliminations</b>	<b><u>\$7,562</u></b>	<b><u>\$694,213</u></b>	<b><u>\$701,775</u></b>
Eliminations		(49,476)	(49,476)
<b>Total Intragovernmental Liabilities – Other</b>	<b><u>\$7,562</u></b>	<b><u>\$644,737</u></b>	<b><u>\$652,299</u></b>

	<b><u>Non-Current Liabilities</u></b>	<b><u>Current Liabilities</u></b>	<b><u>Total Liabilities</u></b>
<b>2. Public Liabilities – Other</b>			
Accrued Funded Payroll Benefits	\$	\$8,909	\$8,909
Accrued Grants		39,700	39,700
Accrued Unfunded Annual Leave		21,894	21,894
Employment Taxes Payable		2,244	2,244
Advances From Others		502	502
Cash Adjustments		18,178	18,178
Suspense Accounts		(4,998)	(4,998)
Prior Liens on Real Estate	1,708		1,708
Surety Bond Guarantee Future Claims	19,154		19,154
Contingent Liabilities		800	800
<b>Total Public Liabilities – Other</b>	<b><u>\$20,862</u></b>	<b><u>\$87,229</u></b>	<b><u>\$108,091</u></b>

The payable to special receipt fund is related to downward subsidy restatements.

Other liabilities include current liabilities for contractual services and grants, contingent liabilities, and the liability for accrued unfunded annual leave. Additionally, the non-current liabilities include unfunded accrued FECA.

The SBA has recorded a non-current contingent liability for future claims in its Surety Bond Guarantee Program in the amount of \$20.0 million for FY 2004 and \$19.2 million for FY 2003. This liability is an estimate of the future claims for outstanding contracts as of the reporting dates.



## Note 15. Statement of Net Cost

Federal cost accounting standards require SBA to report operating costs by program activity. Full costs include all direct and indirect costs for a program. Full costs are reduced by exchange (earned) revenues to arrive at net operating cost.

### 1. Operating Cost

The full and net operating costs of SBA's major programs are presented in the Consolidated Statement of Net Cost. Full program costs are comprised of all direct costs for the program and those indirect costs which can be reasonably assigned or allocated to the program, including employee pension and other retirement benefit costs paid by OPM and charged to SBA.

### 2. Earned Revenue

Earned revenues arise from exchange transactions which occur through the provision of goods and services for a price, and are deducted from the full cost of SBA's major programs to arrive at net program cost. Earned revenues are recognized by SBA when reimbursements are payable from other Federal agencies and from the public, as a result of costs incurred or services performed on their behalf. A major source of earned revenue includes interest earned on SBA's outstanding Business and Disaster loan portfolios and interest earned on uninvested funds in the credit reform financing account.

### 3. Reporting by Goals

SBA reports its costs consistent with the Agency's strategic goals. The strategic goals this year were restructured from those of the prior year. In FY 2004 Procurement Assistance programs are not included in Goal 1 Improve Economic Environment. Because of this restructuring, the Statement of Net Cost for the current year is not comparable to the prior year. Thus, the cost for FY 2003 is presented in summary without the subtotals matching to the current year goals.

For FY 2004, SBA developed a new strategic Goal 4 – "Ensure that SBA programs operate at maximum efficiency and effectiveness by providing them with high quality executive leadership." The costs of this goal, however, are fully allocated to the other strategic goals. The amount of Goal 4 is estimated to be \$83 million in FY 2004. "Costs Not Assigned to Strategic Goals," such as Congressionally mandated grant programs, costs of the Office of the Inspector General and costs associated with SBA's management of USDA's Rural Business Investment Program are included the Net Cost Statement

### 4. Eliminations

The purpose of eliminations is to eliminate the offsetting presentation of assets, liabilities, revenue and costs that is created by the activities within a reporting entity such as the SBA. The SBA receives a portion of its funding for operating expenses in the Disaster and Business Program funds.

(Dollars in Thousands)

	<u><b>FY 2004</b></u>	<u><b>Eliminations</b></u>	<u><b>Consolidated</b></u>	<u><b>Restated FY 2003</b></u>
<b>Strategic Goal 1: Improve Economic Environment for Small Businesses</b>				
Intragovernmental				
Gross Costs	\$11,633		\$11,633	
Less: Earned Revenue				
Net Costs	<u>\$11,633</u>		<u>\$11,633</u>	
Public				
Gross Costs	\$38,991		\$38,991	
Less: Earned Revenue				
Net Costs	<u>\$38,991</u>		<u>\$38,991</u>	
<b>Net Cost Strategic Goal 1</b>	<b>\$50,624</b>		<b>\$50,624</b>	
<b>Strategic Goal 2 Increase Small Business Success by Bridging Competitive Opportunity Gaps Facing Entrepreneurs</b>				
Intragovernmental				
Gross Costs	\$422,946	\$(130,364)	\$292,582	
Less: Earned Revenue	<u>267,110</u>	<u>(130,364)</u>	<u>136,746</u>	
Net Costs	\$155,836	\$	\$155,836	
Public				
Gross Costs	\$1,483,911		\$1,483,911	
Less: Earned Revenue	<u>282,748</u>		<u>282,748</u>	
Net Costs	\$1,201,163		\$1,201,163	
<b>Net Cost Strategic Goal 2</b>	<b>\$1,356,999</b>		<b>\$1,356,999</b>	
<b>Strategic Goal 3: Restore Homes and Businesses Affected by Disaster</b>				
Intragovernmental				
Gross Costs	\$523,725	\$(124,425)	\$399,300	
Less: Earned Revenue	<u>290,521</u>	<u>(124,425)</u>	<u>166,096</u>	
Net Costs	\$233,204	\$	\$233,204	
Public				
Gross Costs	\$268,676		\$268,676	
Less: Earned Revenue	<u>204,658</u>		<u>204,658</u>	
Net Cost	\$64,018		\$64,018	



<b>Net Cost Strategic Goal 3</b>	<b>\$297,222</b>	<b>\$297,222</b>	
<b>Costs Not Assigned to Strategic Goals</b>			
Intragovernmental			
Gross Cost	\$9,810	\$9,810	
Less: Earned Revenue			
Net Costs	<u>\$9,810</u>	<u>\$9,810</u>	
Public			
Gross Costs	\$32,882	\$32,882	
Less: Earned Revenue			
Net Costs	<u>\$32,882</u>	<u>\$32,882</u>	
<b>Net Cost Not Assigned</b>	<b><u>\$42,692</u></b>	<b><u>\$42,692</u></b>	
<b>Net Cost of Operations</b>	<b><u><u>\$1,747,537</u></u></b>	<b><u><u>\$1,747,537</u></u></b>	<b><u><u>\$3,949,258</u></u></b>

FY 2004

**Functional Classification**  
(Dollars in Thousands)

	<b><u>Gross Cost</u></b>	<b><u>Earned Revenue</u></b>	<b><u>Net Cost</u></b>
Commerce and Housing Credit			
Strategic Goal 1	\$50,624	\$	\$50,624
Strategic Goal 2	1,776,493	419,494	1,356,999
Costs Not Assigned	<u>42,692</u>		<u>42,692</u>
<b>Total Commerce and Housing Credit</b>	<b><u>\$1,869,809</u></b>	<b><u>\$419,494</u></b>	<b><u>\$1,450,315</u></b>
Community and Regional Development			
Strategic Goal 3	<u>\$667,976</u>	<u>\$370,754</u>	<u>\$297,222</u>
<b>Total Community and Regional Development</b>	<b><u>\$667,976</u></b>	<b><u>\$370,754</u></b>	<b><u>\$297,222</u></b>
<b>Total</b>	<b><u><u>\$2,537,785</u></u></b>	<b><u><u>\$790,248</u></u></b>	<b><u><u>\$1,747,537</u></u></b>

	<b>Restated FY 2003</b>		
<b><u>Functional Classification</u></b>	<b><u>Gross Cost</u></b>	<b><u>Earned Revenue</u></b>	<b><u>Net Cost</u></b>
Commerce and Housing Credit	\$4,181,322	\$924,023	\$3,257,299
Community and Regional Development	1,214,223	522,264	691,959
<b>Total</b>	<b><u>\$5,395,545</u></b>	<b><u>\$1,446,287</u></b>	<b><u>\$3,949,258</u></b>

<b>Intragovernmental Revenue</b>	<b><u>FY 2004</u></b>	<b><u>Restated 2003</u></b>
<b><u>Functional Classification</u></b>		
Commerce and Housing Credit	\$136,746	\$53,335
Community and Regional Development	166,096	283,994
<b>Total</b>	<b><u>\$302,842</u></b>	<b><u>\$337,329</u></b>



## **Note 16. Statement of Changes in Net Position**

The SBA's net position consisted of the following as of the end of FY 2004 and 2003:

### **1. Unexpended Appropriations**

Unexpended appropriations represent unobligated amounts and amounts for which orders for goods, services or benefits have been placed but not yet filled. Multi-year appropriations remain available to SBA for obligation in future periods. Unobligated balances associated with appropriations expiring at the end of the fiscal year remain available for obligation adjustments, but not new obligations, until that account is closed five years after the appropriations expire.

The SBA restated the FY 2003 Unexpended Appropriations beginning balance by \$273.5 million to cover prior period adjustments to the Surety Bond Guaranty Fund (SBG).

The prior period adjustment is separately stated for FY 2003 because FY 2002 has not been restated.

### **2. Cumulative Results of Operations**

Cumulative results of operations is the accumulated difference between expenses and financing sources since the inception of SBA.

The SBA restated the FY 2003 Cumulative Results of Operations beginning balance by \$425.1 million to cover prior period adjustments. These prior period adjustments were made to reflect the changes to the Cumulative Results of Operations for the SBG Fund and the Modification Adjustment Transfer.

The prior period adjustment is separately stated for FY 2003 because FY 2002 has not been restated.

### **3. Imputed Financing**

The Statement of Changes in Net Position recognized an imputed financing source of \$17.9 million for the year ended September 30, 2004 and \$19.1 million for the year ended September 30, 2003. Corresponding imputed post-employment benefit expenses are recognized on the Statement of Net Cost as Intragovernmental Gross Costs and are allocated to all programs.

### **4. Current Year Liquidating Fund Equity Activity**

The agency recognizes a liability to Treasury for the amount of net assets in the liquidating funds. The amount reflected as a financing source on the Statement of Changes in Net Position is the change in this liability for the current reporting period.

## **Note 17. Statement of Budgetary Resources**

### **Budget Authority**

SBA has access to permanent indefinite appropriations for liquidating fund obligations and upward reestimates of credit subsidy cost in its Business and Disaster financing accounts. SBA used all of its borrowing authority in FY 2004 and FY 2003.

Under the SBA's appropriation act a portion of the administrative expenses in its Salary and Expense (S&E) and Office of Inspector General (OIG) funds are funded by amounts advanced from its Business and Disaster program funds. The use of these advances in the S&E and OIG funds creates a parallel set of budgetary entries in the SBA's general ledger for the Business and Disaster funds program funds and the S&E and OIG funds. Under current Federal accounting standards these parallel entries are not eliminated in the Combined Statement of Budgetary Resources (SBR), with the end result of duplicating the obligations in the SBR. The amount of this duplication was \$240.9 million and \$252.0 million for FY 2004 and FY 2003 respectively.

### **Obligations Incurred**

During FY 2004, SBA incurred \$7,649 million of direct and reimbursable obligations of which \$192 million was apportioned by fiscal quarters for category A apportionment and \$7,457 million was apportioned by fiscal year for category B apportionment. Category A apportionments are those for resources that can be obligated without restriction on the purpose of the obligation, other than to be in compliance with legislation underlying programs for which the resources were made available. Category B apportionments are restricted by purpose for which obligations can be incurred.

### **Reconciliation of the SBR to the Presidents Budget (FY 2003)**

Because the Budget of the United States Government (the President's Budget) with actual amounts for FY 2004 has not yet been published, SBA compared FY 2003 Statement of Budgetary Resources to the actual amounts reported in the President's Budget for FY 2003. This comparison indicated certain differences for which SBA had not accumulated all of the information it needed prior to the submission of the President's Budget for FY 2003. The differences reflect several accounting adjustments to correct the FY 2003 Statement of Budgetary Resources but were not incorporated into the President's Budget for FY 2003 as follows:

- \$55 million asset sales activity due to a change in budgetary accounting for various transactions types.
- \$(48) million adjustment for recording other Federal receivables.
- \$17 million upward adjustment due to a change in the accounting treatment used in recording of prior year undelivered orders.
- \$22 million additional interest due Treasury on SBA borrowings.





- \$21 million budgetary accounting change in recording the disallowed purchased interest liability.
- \$29 million adjustment for Federal Financing Bank transactions.
- \$20 million adjustment for recording the suspense allocation.

SBA incurred additional differences due to the methodology used in gathering financial data from different sources. SBA prepared the Statement of Budgetary Resources using data from the general ledger, while some of the President's Budget data was obtained from internal cost reports. Furthermore, SBA reported expired unobligated balances in the Statement of Budgetary Resources which were not included in the President's Budget.

## **Note 18. Statement of Financing**

The Statement of Financing provides information on the total resources used by an agency, both those received through budgetary resources and those received through other means during the reporting period. The statement reconciles these resources with the net cost of operations by removing resources that do not fund net cost of operations and including components of net cost of operations that did not generate or use resources during the year.

The Statement of Financing is presented as a consolidated statement for the Agency and its major programs. Net interagency eliminations are presented for proprietary amounts. The budgetary amounts are reported on a combined basis as presented in the SBR. Accordingly, net interagency eliminations for budget amounts are not presented. The relationship between the amounts reported as liabilities not covered by budgetary resources on the balance sheet and amounts reported as components requiring or generating resources in future periods on the statement of financing were analyzed. The differences are primarily due to credit program collections offset by resources that financed acquisitions of assets or liquidation of liabilities and reestimates of credit subsidy expense.



## **Note 19. Disclosure Related to Restatement of FY 2003 Financial Statements**

### **Restatement No 1: Subsidy Reestimates**

SBA restated its FY 2003 Financial Statements to reflect reestimates as of September 30 2003 using a new subsidy model methodology. This new methodology known as the “balances approach” (See Footnote 6R), provides an improved estimate of the cost of SBA’s credit programs.

### **Restatement No 2: Deferred Interest**

SBA determined it was recording its noncurrent interest incorrectly (See Footnote 1 S). The FY 2003 financial statements have been adjusted to reflect the change.

### **Restatement No 3: Change in Presentation – Offsetting Collections / Receipts**

SBA changed the presentation of “Budgetary Offsetting Collections and Receipts that Do Not Affect Net Cost of Operations” on its Statement of Financing to more closely agree with Treasury’s Standard General Ledger crosswalk. For FY 2003, receipts in Treasury’s special fund for downward subsidy reestimates were recorded on line 15 “Resources that Finance the Acquisition of Assets or Liquidation of Liabilities.” For FY 2004, they are recorded on line 14b “Budgetary Offsetting Collections and Receipts that Do Not Affect Net Cost of Operations, Offsetting Receipts.”

### **Restatement No 4: Modification Adjustment Transfer**

During FY 2004 it was determined that the Modification Adjustment Transfer (MAT) related to SBA’s sale of Business and Disaster loans in FY 2003 was unneeded because the original Treasury interest discount rates, not current market rates, were used to determine the cost of SBA’s loan sale program.

### **Restatement No 5: Cumulative Results of Operation**

SBA determined its cumulative results of operations and unexpended appropriation balances were incorrect in the Surety Bond Guaranty Program due to a longstanding incorrect closing entry. These balances were therefore previously misreported, although total equity was not misstated. SBA recorded a prior period adjustment and restated FY 2003 and correctly reported FY 2004 results in this report.

### **Restatement No 6: Net Assets of Liquidating Funds Due Treasury**

SBA determined its net assets of its liquidating funds due Treasury should be disclosed separately due to the materiality of this item. Previously it was included with Other Intragovernmental Liabilities. The FY 2003 Balance Sheet has been restated to show this new line on the statement.

## U. S. Small Business Administration Consolidated Balance Sheet

Note 19

(Dollars in Thousands)

		<u>FY 2003</u>	<u>Adjustment</u>	<u>Restated FY 2003</u>
<b>Assets</b>				
Assets – Public and Other				
Credit Program Receivables and Related				
Foreclosed Property, Net	<b>Restatement #1</b>	\$	\$(760,719)	\$
Credit Program Receivables and Related				
Foreclosed Property, Net	<b>Restatement #2</b>	4,300,333	(7,019)	3,532,595
<b>Liabilities</b>				
Intragovernmental Liabilities				
Accounts Payable	<b>Restatement #1</b>	13,737	2	13,739
Net Assets of Liquidating Funds				
Due to Treasury	<b>Restatement #6</b>		407,109	407,109
Other	<b>Restatement #1</b>		433,764	
Other	<b>Restatement #4</b>		(214,752)	
Other	<b>Restatement #6</b>	840,396	(407,109)	652,299
<b>Other Liabilities – Public</b>				
Liabilities for Loan Guarantees	<b>Restatement #1</b>		(32,611)	
Liabilities for Loan Guarantees	<b>Restatement #2</b>	2,548,963	25,178	2,541,530
Other	<b>Restatement #2</b>	140,288	(32,197)	108,091
<b>Net Position</b>				
Unexpended Appropriations	<b>Restatement #5</b>	847,474	(273,500)	573,974
Cumulative Results of Operations	<b>Restatement #1</b>		(1,161,874)	
Cumulative Results of Operations	<b>Restatement #4</b>		214,752	
Cumulative Results of Operations	<b>Restatement #5</b>	(4,017,722)	273,500	(4,691,344)



# U. S. Small Business Administration Consolidated Statement of Changes in Net Position

Note 19

	<u>FY 2003</u>		<u>Adjustment</u>		<u>Restated FY 2003</u>	
	<u>Cumulative Results of Operations</u>	<u>Unexpended Appropriations</u>	<u>Cumulative Results of Operations</u>	<u>Unexpended Appropriations</u>	<u>Cumulative Results of Operations</u>	<u>Unexpended Appropriations</u>
(Dollars in Thousands)						
Beginning Net Position As Adjusted	<b>Restatement #4</b> \$	\$	\$151,575	\$	\$	\$
Beginning Net Position As Adjusted	<b>Restatement #5</b> (2,697,964)	954,633	273,500	(273,500)	(2,272,889)	681,133
Other Financing Sources Transfers – In/Out Without Reimbursement	<b>Restatement #1</b> (175,608)		(321,120)		(496,728)	
Net Cost of Operations	<b>Restatement #1</b>		840,754			
Net Cost of Operations	<b>Restatement #4</b> 3,171,681		(63,177)		3,949,258	

U. S. Small Business Administration

Consolidated Statement of Net Cost

Note 19

(Dollars in Thousands)				
Net Cost of Operations	Restatement #1	<u>FY 2003</u>	<u>Adjustment</u>	<u>Restated FY 2003</u>
Net Cost of Operations	Restatement #4	\$ 3,171,681	\$840,754	\$ 3,949,258
			(63,177)	



# U. S. Small Business Administration Consolidated Statement of Financing

Note 19

(Dollars in Thousands)

	<u>FY 2003</u>	<u>Adjustment</u>	<u>Restated FY 2003</u>
<b>Resources Used to Finance Activities</b>			
<b>Other Resources</b>			
Transfers In (Out)	Restatement#1	\$(321,120)	\$(496,728)
<b>Resources Used to Finance Items not Part of the Net Cost of Operations</b>			
Offsetting Receipts	Restatement#3	299,819	299,819
Resources that Finance the Acquisition of Assets or Liquidation of Liabilities	Restatement#3	(299,819)	(2,691,952)
Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations	Restatement#1	3	1,323
<b>Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period</b>			
<b>Components Requiring or Generating Resources in Future Periods</b>			
Upward/Downward Reestimates of Credit Subsidy Expense	Restatement#1	1,161,873	
Upward/Downward Reestimates of Credit Subsidy Expense	Restatement#4	(63,177)	2,418,283
		1,319,587	

## REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

### U. S. Small Business Administration Required Supplementary Stewardship Information Stewardship Investments in Human Capital

For the periods ended September 30, 2004, 2003, 2002, 2001 and 2000

(Dollars in Thousands)

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Small Business Development Centers	\$97,250	\$99,293	\$100,276	\$98,583	\$88,162
Women's Business Centers	19,218	15,361	16,141	15,934	6,488
Service Corps of Retired Executives	17,993	10,305	15,021	5,988	8,210
Business Information Centers	9,480	8,426	14,033	16,015	11,719
Native American Outreach	2,064	194	856	1,394	1,748
Small Business Training Network	1,483				
7(j) Program	1,483				
National Education Center	1,483	259			
Microloans Technical Assistance	1,354				
Other Business Assistance	903	12,639	12,057	6,050	4,900
Counseling & Training		12,315			
US Export Assistance Centers		3,500	2,174		
Co Sponsorships		1,102			
Electronic Government		259	659		
Disabilities Initiative		65	132	8	
BATF donations - Reimbursed Expenses		65	66		
One Stop Capital Shops				8,114	8,495
Business LINC				2,518	
Welfare to Work				8	2,034
Office of International Trade				2,955	
Office of Veterans' Affairs <sup>1</sup>					2,776
Ombudsman <sup>1</sup>					1,507
Woman's Business Council <sup>1</sup>					1,106
HubZones Program <sup>1</sup>					6,734
<b>Total</b>	<b>\$152,711</b>	<b>\$163,783</b>	<b>\$161,415</b>	<b>\$157,567</b>	<b>\$143,879</b>

**Human Capital.** Human Capital investments are expenses included in net cost for education and training programs that are intended to increase or maintain national economic productive capacity and that produce outputs and outcomes that provide evidence of maintaining or increasing national productive capacity. The definition excludes education and training expenses for Federal personnel.

**Small Business Development Centers** deliver management and technical assistance, economic development and management training to existing and prospective small businesses through cooperative agreements with universities and colleges and government organizations.



**Women's Business Centers** provide assistance to women business owners and acts as their advocate in the public and private sectors in a number of locations around the U.S.

**Service Corps of Retired Executives** is a nonprofit organization which provides small business counseling and training under a grant from the U.S. Small Business Administration (SBA). SCORE members are successful, retired business men and women who volunteer their time to assist aspiring entrepreneurs and small business owners. There are SCORE chapters in every state.

**Business Information Centers (BIC)** provide a one-stop location where current and future small business owners can receive assistance and advice. Through partnerships with the public and private sector, BIC offer the latest computer technology, hardware and software, as well as extensive small business reference library of hard copy books and publications and current management videotapes for entrepreneurs. At a BIC they can plan their business, expand an existing business, or venture into new business areas. The use of software for a variety of business applications offers clients of all types a means for addressing diverse needs.

**Native American Outreach** provides assistance to American Indian, Native Alaskan, and Native Hawaiian small business clients, tribally owned small businesses, and small businesses located in Native American communities.

**Small Business Training Network** is an online training program designed to fill small business educational gaps. It serves as a virtual SBA campus.

**7(j) Program** provides assistance such as accounting; marketing and preparation of business/bid proposals (Add Definition), as well as industry-specific technical assistance and entrepreneurial training to small business people to startup, run and expand their business.

**National Education Center** was added as new activity in FY 2003 to provide a forum for the education of small business people from a centralized location in Florida.

**Microloans Technical Assistance** is provided to microloan intermediaries to fund management and technical assistance to small business receiving microloan financial assistance.

**Other Business Assistance** includes Drug Free Workplace, International Visitors Program, and PRIME.

**Counseling & Training** was separately categorized in FY 2003 to identify the cost of supporting business assistance to small business.

**US Export Assistance Centers** provide assistance to small business entrepreneurs in the form of advice on how to conduct business activities to export goods and services. This is a new category in FY 2003

**Co Sponsorships** was added as a category in FY 2003 to include the educational assistance provided to small business by SBA in partnership with non government organizations.

**Electronic Government** was added as a category in FY 2003 for services provided to small business through electronic processing activity and electronic information.

**Disability Initiative** The SBA is helping small businesses gain access to a new pool of potential workers as well as assisting Americans with disabilities start small businesses.

**BATF donations – Reimbursed Expenses** are used by SBA to provide assistance to small business in the form of educational services.

**One Stop Capital Shops** combines SBA resources and community partnerships to offer entrepreneurial development assistance to small businesses located in distressed inner cities and rural communities. SBA funding for this program was discontinued in FY 2002.

**Business LINC** On June 5, 1998 the Business LINC initiative was announced to encourage more private sector business-to-business linkages that enhance the economic vitality and competitive capacity of small businesses, particularly those located in economically distressed urban and rural areas. This program was improperly categorized as Human Capital enhancement in FY 2001.

**Welfare to Work** The SBA helped small businesses gain access to a new pool of potential workers as well as helping former welfare recipients become entrepreneurs. This program ended effectively in FY 2000.

**Office of International Trade** provides assistance to small businesses obtain financing for export activity. This activity was improperly reported as a stewardship investment in human capital for several years in the past.

**The Office of Veterans Affairs, Ombudsman, Women's Business Council, HubZones Program,** these SBA programs were reclassified to other cost categories after FY 2000.

A description of the major programs, outputs, and outcomes may be found in this Performance and Accountability Report.



**U. S. Small Business Administration**  
**Required Supplementary Stewardship Information**  
**Stewardship Investments in Research and Development**  
 For the periods ended September 30, 2004, 2003, 2002, 2001, and 2000

(Dollars in Thousands)

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
The Office of Technology	\$	\$778	\$1,103	\$1,906	\$1,720

**Research and Development.** Research and Development investments are expenses included in net cost incurred to support the search for new or refined knowledge and ideas and for the application or use of such knowledge and ideas for the development of new or improved products and processes with the expectation of maintaining or increasing national economic productive capacity or yielding other future benefits.

A detailed description of the programs, outputs, and outcomes may be found in the Government Performance and Results Act (GPRA) Details portion of the Performance and Accountability Report.

As of the 2004 reporting year the SBA is no longer capturing the costs associated with research and development.

REQUIRED SUPPLEMENTARY  
INFORMATION

U. S. Small Business Administration  
Required Supplementary Information  
Intragovernmental Assets and Liabilities  
for the period ended September 30, 2004

(Dollars in Thousands)

Trading Partner	Fund Balance With Treasury	Accounts Payable	Debt/Borrowings from Other Agencies	Net Assets of Liquidating Funds Due to Treasury	Other Liabilities
Federal Financing Bank			\$ 58,273	\$	1,575
Agency for International Development					31
Department of Labor					5,488
Office of Personnel Management					1,193
Department of the Treasury	7,072,582	10,297	8,545,701	299,516	556,249
Other Agencies					2,537
Total	\$ 7,072,582	\$ 10,297	\$ 8,603,974	\$ 299,516	\$ 567,073

U. S. Small Business Administration  
Required Supplementary Information  
Intragovernmental Earned Revenues and Related Costs  
for the period ended September 30, 2004

(Dollars in Thousands)

Trading Partner	Earned Revenue		Gross Cost	
	\$		\$	
Department of the Treasury		302,842		547,191
Total	\$	302,842	\$	547,191
Budget Functional Classification				
	\$		\$	
Commerce and Housing Credit		136,746		362,111
Community and Regional Development		166,096		185,080
Total	\$	302,842	\$	547,191

The Intragovernmental Earned Revenues and Related Costs are for the SBA's Financing Accounts; therefore interest earned is an offset to cost of operations.

**U. S. Small Business Administration**  
**Required Supplementary Information**  
**Combining Statement of Budgetary Resources**  
for the period ended September 30, 2004

	BLIF		DLF		SBGRF
	Budgetary	Non-Budgetary Financing	Budgetary	Non-Budgetary Financing	
<i>(Dollars in Thousands)</i>					
<b>BUDGETARY RESOURCES</b>					
Budget Authority					
Appropriations Received	\$ 2,693,380	\$	\$ 1,349,082	\$	\$
Borrowing Authority		1,421,542		781,557	
Net Transfers (+/-)					
Other					
Unobligated Balance					
Brought Forward October 1	256,913	564,091	97,216	1,205,111	22,641
Net Transfers (+/-)					
Spending Authority from Offsetting Collections					
Earned	79,062	3,460,595	14,909	1,761,698	7,723
Change in Unfilled Customer Orders		(28,061)		6,810	
Recoveries of Prior Year Obligations	7,314	1,917	13,936	107,081	
Permanently Not Available	(166,412)	(284,145)	(61,910)	(2)	
<b>Total Budgetary Resources</b>	<b>\$ 2,870,257</b>	<b>\$ 5,135,939</b>	<b>\$ 1,413,233</b>	<b>\$ 3,862,255</b>	<b>\$ 30,364</b>



**U. S. Small Business Administration**  
**Required Supplementary Information**  
**Combining Statement of Budgetary Resources**  
for the period ended September 30, 2004

	BLIF		DLF		SBGRF	
	Budgetary	Non-Budgetary Financing	Budgetary	Non-Budgetary Financing	Budgetary	Budgetary
<b>STATUS OF BUDGETARY RESOURCES</b>						
Obligations Incurred	\$ 2,673,355	\$ 1,991,168	\$ 1,323,785	\$ 1,018,143	\$ 8,028	
Unobligated Balances, Available Apportioned - Currently Available Exempt from Apportionment	104,734	1,928,395	30,677	528,696	2,708	
Unobligated Balances, Not Available	92,168	1,216,376	58,771	2,315,416	19,628	
<b>Total Status of Budgetary Resources</b>	<b>\$ 2,870,257</b>	<b>\$ 5,135,939</b>	<b>\$ 1,413,233</b>	<b>\$ 3,862,255</b>	<b>\$ 30,364</b>	
	BLIF		DLF		SBGRF	
	Budgetary	Non-Budgetary Financing	Budgetary	Non-Budgetary Financing	Budgetary	Budgetary
<b>OBLIGATIONS TO OUTLAYS</b>						
Obligated Balance, Beginning of Period	\$ 120,700	\$ (40,256)	\$ 40,183	\$ 180,087	\$ 337	
Obligated Balance, End of Period						
Accounts Receivable						
Unfilled Customer Orders from Federal Sources		(63,557)		(43,175)		
Undelivered Orders	62,550	31,798	43,217	334,434		
Accounts Payable	15,131	21,400	2,506	2,193		611
Total Obligated Balance, End of Period	77,681	(10,359)	45,723	293,452	611	
Outlays						
Disbursements	2,712,235	2,005,722	1,304,399	807,441	7,753	
Collections	(82,236)	(3,478,904)	(14,999)	(1,778,252)	(7,723)	
Subtotal	2,629,999	(1,473,182)	\$ 1,289,400	(970,811)	\$ 30	
Less: Offsetting Receipts		227,933		2,376		
<b>Net Outlays</b>	<b>\$ 2,629,999</b>	<b>\$ (1,701,115)</b>	<b>\$ 1,289,400</b>	<b>\$ (973,187)</b>	<b>\$ 30</b>	

(Dollars in Thousands)

(Dollars in Thousands)

RELATIONSHIP OF

U. S. Small Business Administration  
Required Supplementary Information  
Combining Statement of Budgetary Resources  
for the period ended September 30, 2004

(Dollars in Thousands)

	PCECGF	SE	OIG	BATF	TOTAL	
	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Non-Budgetary Financing
BUDGETARY RESOURCES						Total
Budget Authority						
Appropriations Received	\$ 3,000	\$ 371,650	\$ 13,000	\$	\$ 4,430,112	\$ 4,430,112
Borrowing Authority						2,203,099
Net Transfers (+/-)		30,000			30,000	30,000
Other						
Unobligated Balance:						
Brought Forward October 1	3,262	34,585	662	418	415,697	1,769,202
Net Transfers (+/-)						2,184,899
Spending Authority from Offsetting Collections						
Earned	333	262,098	463	426	365,014	5,587,307
Change in Unfilled Customer Orders		(15,328)	34		(15,294)	(36,545)
Recoveries of Prior Year Obligations		21,675	67	2	42,994	151,992
Permanently Not Available	(3,262)	(9,559)	(203)		(241,346)	(525,493)
<b>Total Budgetary Resources</b>	<b>\$ 3,333</b>	<b>\$ 695,121</b>	<b>\$ 14,023</b>	<b>\$ 846</b>	<b>\$ 5,027,177</b>	<b>\$ 8,998,194</b>
						<b>\$ 14,025,371</b>





U. S. Small Business Administration  
Required Supplementary Information  
Combining Statement of Budgetary Resources  
for the period ended September 30, 2004

	<i>(Dollars in Thousands)</i>					
	PCECGF	SE	OIG	BATF	TOTAL	TOTAL
STATUS OF BUDGETARY RESOURCES	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Non-Budgetary Financing
Obligations Incurred		\$ 620,703	\$ 13,505	\$ 411	\$ 4,639,787	\$ 3,009,311
Unobligated Balances Available						\$ 7,649,098
Apportioned - Currently Available	3,333	43,614	189	420	185,675	2,457,091
Exempt from Apportionment						2,642,766
Unobligated Balances, Not Available		30,804	329	15	201,715	3,531,792
						3,733,507
<b>Total Status of Budgetary Resources</b>	<b>\$ 3,333</b>	<b>\$ 695,121</b>	<b>\$ 14,023</b>	<b>\$ 846</b>	<b>\$ 5,027,177</b>	<b>\$ 8,998,194</b>
						<b>\$ 14,025,371</b>
	<i>(Dollars in Thousands)</i>					
	PCECGF	SE	OIG	BATF	TOTAL	Non-Budgetary
OBLIGATIONS TO OUTLAYS	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Financing
Obligated Balance, Beginning of Period		\$ 311,059	\$ 1,639	\$ 21	\$ 473,939	\$ 139,831
Obligated Balance - End of Period						\$ 613,770
Accounts Receivable						
Unfilled Customer Orders from Federal Sources		(233)			(233)	(106,732)
Undelivered Orders		229,287	1,134	54	336,242	366,232
Accounts Payable		58,376	583		77,207	23,593
Total Obligated Balance, End of Period		287,430	1,717	54	413,216	283,093
						696,309
Outlays						
Disbursements		622,658	13,359	378	4,660,782	2,813,163
Collections	(333)	(246,769)	(496)	(426)	(352,982)	(5,610,138)
Subtotal	\$ (333)	\$ 375,889	\$ 12,863	\$ (48)	\$ 4,307,800	\$ 1,863,807
Less: Offsetting Receipts						230,309
<b>Net Outlays</b>	<b>\$ (333)</b>	<b>\$ 375,889</b>	<b>\$ 12,863</b>	<b>\$ (48)</b>	<b>\$ 4,307,800</b>	<b>\$ (2,674,302)</b>
						<b>\$ 1,633,498</b>

# OTHER ACCOMPANYING INFORMATION

U. S. Small Business Administration  
Additional Accompanying Information  
Consolidating Balance Sheet  
as of September 30, 2004

ASSETS		BLIF	DLF	SBGRF	PCECGF	SE	OIG	BATF	Combined Total								
Intragovernmental Assets																	
Fund Balances with Treasury	\$	3,408,995	\$	3,272,735	\$	22,948	\$	3,333	\$	361,847	\$	2,236	\$	488	\$	7,072,582	
Accounts Receivable		1,762,555		351,919												2,114,474	
Advances		651		33,464												34,115	
Total Intragovernmental Assets																	
Assets - Public and Other																	
Cash		22,510														22,510	
Accounts Receivable		34,695		24		4,659				79						39,457	
Credit Program Receivables and Related																	
Foreclosed Property, Net		915,586		2,481,566						16,092						3,413,244	
Equipment and Internal Use Software																19,789	
Total Assets - Public and Other		972,791		2,481,590		4,659		16,092		19,868						3,495,000	
Total Assets	\$	6,144,992	\$	6,139,708	\$	27,607	\$	19,425	\$	381,715	\$	2,236	\$	488	\$	12,716,171	
LIABILITIES																	
Intragovernmental Liabilities																	
Accounts Payable	\$	1,770,486	\$	354,285	\$		\$		\$		\$		\$			2,124,771	
Debt		2,741,515		5,862,459												8,603,974	
Net Assets of Liquidating Funds Due to Treasury		181,378		98,713												299,516	
Other		489,352		68,472						43,098		266				601,188	
Total Intragovernmental Liabilities																	
Other Liabilities - Public																	
Accounts Payable	\$	30,874	\$	2,402	\$	618	\$		\$		\$		\$			33,894	
Liabilities for Loan Guarantees		2,524,052														2,524,052	
FECA Actuarial Liability																28,436	
Other		2,930		49		20,599				28,436						102,615	
Total Other Liabilities - Public		2,557,856		2,451		21,217				106,945		528				2,688,997	
Total Liabilities	\$	7,740,587	\$	6,386,380	\$	21,217	\$	19,425	\$	150,043	\$	794	\$			14,318,446	
NET POSITION																	
Unexpended Appropriations																	
Cumulative Results of Operations	\$	166,960	\$	105,247	\$	764	\$		\$	266,481	\$	1,442	\$			540,894	
Total Net Position	\$	(1,595,595)		(351,919)		5,626				(34,809)				488		(2,143,169)	
Total Liabilities and Net Position																	
	\$	6,144,992	\$	6,139,708	\$	27,607	\$	19,425	\$	381,715	\$	2,236	\$	488	\$	12,716,171	



**U. S. Small Business Administration**  
**Additional Accompanying Information**  
**Consolidating Balance Sheet**  
for the period ended September 30, 2004

<i>(Dollars in Thousands)</i>	<b>ASSETS</b>	<b>Eliminations</b>	<b>Consolidated TOTAL</b>
Intragovernmental Assets			
Fund Balances with Treasury	\$	\$	7,072,582
Accounts Receivable		(2,114,474)	
Advances		(34,115)	
Total Intragovernmental Assets	\$	(2,148,589)	\$ 7,072,582
Assets - Public and Other			
Cash	\$	\$	22,510
Accounts Receivable			39,457
Credit Program Receivables and Related			
Foreclosed Property, Net			3,413,244
Equipment and Internal Use Software			19,789
Total Assets - Public and Other			3,495,000
<b>Total Assets</b>	<b>\$</b>	<b>(2,148,589)</b>	<b>\$ 10,567,582</b>
<b>LIABILITIES</b>			
Intragovernmental Liabilities			
Accounts Payable	\$	(2,114,474)	\$ 10,297
Debt			8,603,974
Net Assets of Liquidating Funds Due to Treasury			299,516
Other		(34,115)	567,073
Total Intragovernmental Liabilities	\$	(2,148,589)	\$ 9,480,860
Other Liabilities -Public			
Accounts Payable	\$	\$	33,894
Liabilities for Loan Guarantees			2,524,052
FECA Actuarial Liability			28,436
Other			102,615
Total Other Liabilities - Public			2,688,997
<b>Total Liabilities</b>	<b>\$</b>	<b>(2,148,589)</b>	<b>\$ 12,169,857</b>
<b>NET POSITION</b>			
Unexpended Appropriations	\$	\$	540,894
Cumulative Results of Operations			(2,143,169)
<b>Total Net Position</b>	<b>\$</b>	<b>\$</b>	<b>(1,602,275)</b>
<b>Total Liabilities and Net Position</b>	<b>\$</b>	<b>(2,148,589)</b>	<b>\$ 10,567,582</b>

U. S. Small Business Administration  
Additional Accompanying Information  
Consolidating Statement of Financing  
for the period ended September 30, 2004

(Dollars in Thousands)

**Resources Used to Finance Activities**

**Budgetary Resources  
Obligated**

Obligations Incurred  
Less: Spending Authority from  
Offsetting Collections and Recoveries  
Obligations Net of Offsetting  
Collections and Recoveries  
Less: Offsetting Receipts

**Net Obligations**

**Other Resources**

Transfers In (Out)  
Imputed Financing  
Other Financing Sources

**Net Other Resources Used to  
Finance Activities**

**Total Resources Used to Finance Activities**

	BLIF	DLF	SBGRF	PCECGF	SE	OIG	BATF	Total
\$	4,664,523	\$ 2,341,928	\$ 8,028	\$	\$ 620,703	\$ 13,505	\$ 411	\$ 7,649,098
	3,520,827	1,904,434	7,723	333	268,445	564	428	5,702,754
	1,143,696	437,494	305	(333)	352,258	12,941	(17)	1,946,344
	227,933	2,376						230,309
\$	915,763	\$ 435,118	\$ 305	\$ (333)	\$ 352,258	\$ 12,941	\$ (17)	\$ 1,716,035
	(97,824)	(4,917)						(102,741)
	7,435	(2,698)		(358)	17,858			17,858
								4,379
\$	(90,389)	\$ (7,615)	\$	\$ (358)	\$ 17,858	\$	\$	\$ (80,504)
\$	825,374	\$ 427,503	\$ 305	\$ (691)	\$ 370,116	\$ 12,941	\$ (17)	\$ 1,635,531



U. S. Small Business Administration  
Additional Accompanying Information  
Consolidating Statement of Financing  
for the period ended September 30, 2004

(Dollars in Thousands)

	BLIF	DLF	SBGRF	PCECGF	SE	OIG	BATF	Total
<b>Resources Used to Finance</b>								
<b>Items not Part of the Net Cost of Operations</b>								
Change in Budgetary Resources Obligated for								
Goods, Services and Benefits Ordered								
But Not Yet Provided	\$ (2,408)	\$ (93,975)	\$	\$	15,470	\$ 304	\$ (32)	\$ (80,641)
Resources that Fund Expenses Recognized in								
Prior Periods			667					667
Budgetary Offsetting Collections								
and Receipts that Do Not Affect Net Cost of								
Operations								
Credit Program Collections	3,460,095	1,761,698						5,221,793
Offsetting Receipts	227,933	2,376						230,309
Resources that Finance the								
Acquisition of Assets or Liquidation of Liabilities	(1,935,935)	(801,418)		271	(14,341)			(2,751,423)
Adjustments to Net Obligated Resources That								
Do Not Affect Net Cost of Operations	2	1,317	2		1		427	1,749
<b>Total Resources Used to</b>								
<b>Finance Items Not Part of the Net Cost of</b>								
<b>Operations</b>	\$ 1,749,687	\$ 869,998	\$ 669	\$ 271	\$ 1,130	\$ 304	\$ 395	\$ 2,622,454
<b>Total Resources Used to</b>								
<b>Finance the Net Cost of Operations</b>	\$ 2,575,061	\$ 1,297,501	\$ 974	\$ (420)	\$ 371,246	\$ 13,245	\$ 378	\$ 4,257,985

U. S. Small Business Administration  
Additional Accompanying Information  
Consolidating Statement of Financing  
for the period ended September 30, 2004

(Dollars in Thousands)

	BLIF	DLF	SBGRF	PCECGF	SE	OIG	BATF	Total
<b>Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period</b>								
<b>Components Requiring or Generating Resources in Future Periods</b>								
Change in Annual Leave Liability					(568)			(568)
Change in Contingent Liability Upward/ Downward					(800)			(800)
Change in Revenue Receivable	(1,495,586)	(1,032,118)						(2,527,704)
Change in Revenue Receivable from Public	1,096	(2)	550	(26)				1,618
Other - Current Year Liquidating Equity Activity (+/-)	(7,435)	2,698		358				(4,379)
Provision for Losses on Estimated Guarantees	859		877		(3,605)			1,736
Change in Unfunded Employee Benefits								(3,605)
<b>Total Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period</b>	\$ (1,501,066)	\$ (1,029,422)	\$ 1,427	\$ 332	\$ (4,973)	\$	\$	\$ (2,533,702)
<b>Components Not Requiring or Generating Resources</b>								
Depreciation or Amortization					3,074			3,074
Bad Debt Expense - Noncredit Reform	17,001	2,982		(270)	467			20,180
<b>Total Components of Net Cost that Will Not Require or Generate Resources</b>	\$ 17,001	\$ 2,982	\$	\$ (270)	\$ 3,541	\$	\$	\$ 23,254
<b>Total Components of Net Cost of Operations Not Requiring or Generating Resources in the Current Period</b>	\$ (1,484,065)	\$ (1,026,440)	\$ 1,427	\$ 62	\$ (1,432)	\$	\$	\$ (2,510,448)
<b>Net Cost of Operations</b>	\$ 1,090,996	\$ 271,061	\$ 2,401	\$ (358)	\$ 369,814	\$ 13,245	\$ 378	\$ 1,747,537



**U. S. Small Business Administration  
Additional Accompanying Information  
Consolidating Statement of Changes in Net Position**  
for the period ended September 30, 2004

(Dollars in Thousands)

	BLIF		DLF		SBGRF	
	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations
	\$	\$	\$	\$	\$	\$
<b>Beginning Net Position, as Adjusted</b>	(3,258,150)	202,882	(1,384,037)	119,271	1,419	7,372
<b>Budgetary Financing Sources</b>						
Appropriations Received		2,693,380		1,349,082		
Transferred - In/Out (+/-)						
Rescissions		(2,200)		(1,795)		
Adjustment - Cancelled Authority		(112)		(518)		
Other Adjustments		(50,010)		(49,999)		
Appropriations Used	2,676,980	(2,676,980)	1,310,794	(1,310,794)	6,608	(6,608)
Donations of Cash and Cash Equivalents						
<b>Other Financing Sources</b>						
Transfers-In/Out Without Reimbursement (+/-)	(97,824)		(4,917)			
Imputed Financing from Costs Absorbed by Others						
Other - Current Year						
<b>Total Financing Sources</b>	7,435	(35,922)	(2,698)	(14,024)	6,608	(6,608)
<b>Less: Net Cost of Operations</b>	1,090,996	\$	271,061	\$	2,401	
<b>Ending Net Position</b>	(1,762,555)	\$ 166,960	(351,919)	\$ 105,247	\$ 5,626	\$ 764

On the Consolidated Statement of Net Costs, the costs are reported by major program using the SBA's cost accounting study, while on this statement the costs are reported by fund and are not allocated using the cost accounting study.

U. S. Small Business Administration  
**Additional Accompanying Information**  
**Consolidating Statement of Changes in Net Position**  
for the period ended September 30, 2004

(Dollars in Thousands)

	PCECGF		SE		OIG	
	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations
	\$	\$	\$	\$	\$	\$
<b>Beginning Net Position, as Adjusted</b>						
<b>Budgetary Financing Sources</b>						
Appropriations Received		3,000		371,650		13,000
Transferred - In/Out (+/-)				30,000		(137)
Rescissions				(3,908)		
Adjustment - Cancelled Authority				(5,657)		(66)
Other Adjustments		(3,000)		1,255	2	(2)
Appropriations Used				(368,892)	13,769	(13,769)
Donations of Cash and Cash Equivalents						
<b>Other Financing Sources</b>						
Transfers-In/Out Without Reimbursement (+/-)						
Imputed Financing from Costs Absorbed by Others				17,858		
Other - Current Year						
Liquidating Equity Activity (+/-)						
<b>Total Financing Sources</b>	(358)	0	385,495	24,448	13,771	(974)
<b>Less: Net Cost of Operations</b>	(358)		369,814		13,245	
<b>Ending Net Position</b>	0	0	(34,809)	266,481	0	1,442

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U. S. Small Business Administration  
**Additional Accompanying Information**  
**Consolidating Statement of Changes in Net Position**  
 for the period ended September 30, 2004

(Dollars in Thousands)

	BATH		Eliminations		TOTAL	
	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations
<b>Beginning Net Position, as Adjusted</b>	\$ 440	\$ 0	\$ 0	\$ 0	\$ (4,691,344)	\$ 573,974
<b>Budgetary Financing Sources</b>						
Appropriations Received						
Transferred - In/Out (+/-)						4,430,112
Rescissions						30,000
Adjustment - Cancelled Authority						(8,040)
Other Adjustments					(1,253)	(6,353)
Appropriations Used					4,377,043	(101,756)
						(4,377,043)
Donations of Cash and Cash Equivalents	426				426	426
<b>Other Financing Sources</b>						
Transfers-in/out Without Reimbursement (+/-)					(102,741)	(102,741)
Imputed Financing from Costs Absorbed by Others					17,858	17,858
Other - Current Year						
<b>Liquidating Equity Activity (+/-)</b>						
<b>Total Financing Sources</b>	\$ 426	\$ 0	\$ 0	\$ 0	\$ 4,379	\$ (33,080)
<b>Less: Net Cost of Operations</b>	\$ 378				\$ 1,747,537	\$ 1,747,537
<b>Ending Net Position</b>	\$ 488	\$ 0	\$ 0	\$ 0	\$ (2,143,169)	\$ 540,894
						\$ (1,602,275)

On the Consolidated Statement of Net Costs, the costs are reported by major program using the SBA's cost accounting study, while on this statement the costs are reported by fund and are not allocated using the cost accounting study.